

Response of Integrys Energy Services, Inc. to the August 28, 2008 Office of Retail Market Development Request for Comments

October 6, 2008

Section 1

I. 1. Please state the benefits you anticipate from establishing retail choice and referral programs.

Integrys Energy Services, Inc. serves both commercial and residential customers throughout Texas, the Midwest, Mid-Atlantic, Eastern States and Canada. We currently participate in the New York ESCO Referral Programs. In New York, residential switching is 16 % and increasing according to the August 2008 migration report¹. This is an over 30% increase in switching from 2007 much of which can be credited to referral programs. Referral programs benefit smaller customers in many ways but the two most important are:

- a) Consumer Education – by offering customers the ability to switch through their utility, customers are exposed to supplier offers without having to seek out the information on their own. Many customers who are aware of Choice may be intimidated by the process of finding information and customers who are not aware they have a choice will be made aware of this option.
- b) Ease of Switching – referral programs offer customers the opportunity to sign up for both distribution services and supplier generation services at the same time. There is no need for a customer to call two separate companies for their electric service.

2. What are your concerns relating to the creation of such programs?

Some referral programs can be designed in such a way the initial offer after discount to customers is limited to a specific type of offering such as a set fixed rate. Suppliers should be offered the freedom to offer customers many different price products as part of the initial offer.

¹ New York State Public Service Commission: New York Electric Retail Access Migration Data for August 2008

There are many options for the initial supplier offer in a referral program. A percent savings discounts can be effective however if the utility rate is not market reflective a percent discount will limit supplier participation. Another option is a set cents off price. Rather than setting the discount as a percent of the utility's rate this would be a set monetary discount on the rate. Again, this option may limit participation if the discounted rate is not reflective of the market.

Integrus Energy recommends a third option. Rather than a discount on the utility rate put the discount on the participating suppliers' open offers. The supplier participating in the referral program would offer discounts off of their products being marketed to non-referral customers. For example if the supplier offers a fixed rate of 7 cents/kWh for one year their referral offer may be 10% off the fixed rate for the initial two months (or even longer) and then the customer who does nothing at the end of the two months would default to the 7 cent rate for the rest of the term or may enter into another agreement with a supplier. This option allows suppliers to better control their costs to participate in the program and will therefore attract more suppliers. In addition, it will expose customers to a greater variety of product offerings through the referral program rather than a single introductory product for all.

3. What are important characteristics of such programs?

The most important aspect of the program is that the utility call center and employees administering the program are fully educated on the benefits and offers of the program. We have seen in other programs some employees discourage customer participation through a lack of employee education on the referral offers and how they work. In order for referral programs to be a success there needs to be a true partnership between the utility and suppliers.

In addition, the purpose of a referral program is to increase consumer awareness and education on their competitive options. As stated above Integrus Energy recommends allowing the discount to be on a supplier's offer and not a utility rate that does not reflect the market. This will expose customers to many product offerings and in turn increase consumer understanding regarding the options available to them.

The programs need to be consistent across all utilities. Again this will increase supplier participation by limiting the need for different processes in different utilities.

4. Would you prefer these programs be administered by an electric utility or the State? Please describe your preferred administration of these programs as detailed as possible.

In order to reach customers at the point when they apply for service and also as stated above to provide information to customers who never knew they had a choice it is preferable the utilities administer these programs. However, as we also stated above we would like to see consistent programs and rules across all utilities. In that respect we would recommend that the ICC put together the rules and requirements for the programs as part of a collaborative. Once the processes are in place the utilities would handle the day to day administration of the programs. The utilities already have in place the call center and systems to handle customer switching and supplier rates therefore designing a new State system to handle the programs would only add additional costs and may not reach the same level of customers a utility administered program could.

5. From a procedural standpoint, what is the preferred manner in which the Commission would establish and/or approve such programs? Should these programs be part of an electric utility's tariff?

A collaborative working group should be established. The goal of the group should be to create a proposed plan to be filed with and approved by the Commission. The plan should include cost recovery for program administration, discounts, switching procedures, marketing of the programs, and requirements for supplier and customer participation.

The format of the programs should be consistent across all utilities including the EDI requirements for enrollment. That said it seems logical they would be part of the tariff based on the rules and guidelines that come out of the collaborative.

II. 1. Please comment on the desirability of having any of these three programs implemented and what the role of the electric utilities, the participating suppliers, the Commission and others if any should be.

Our preference would be program type 2 or type 3. Customers would be offered the ability in type 2 to initiate service with a supplier at the same time they initiate service with the utility.

Type 2 exposes new customers including customers new to the state of Illinois who may be unfamiliar with energy choice to their options. In addition, customers familiar with choice will not be forced to wait a period of time on standard offer service before they can take advantage of their supply choices.

Type 3 includes the benefits of type two while also exposing incumbent customers to the opportunity to shop when they call for service questions.

Although, type 1 is not the most preferable approach we do understand that given the limited residential and small commercial shopping in Illinois, a type 1 arrangement may initially be needed to encourage shopping as a bridge to a Type 2 and 3 arrangements.

2. Are there other retail choice and/or referral programs that you would like the Commission to consider? If so, please describe the characteristics of such programs in detail. For example, do you believe there should be other incentives and/or programs offered to low income consumers in Illinois? If so, should these be based on LIHEAP qualifications and what funding mechanism should be used?

NO COMMENT

III. 1. Please describe your preferred cost recovery mechanism in detail.

Referral programs benefit customers, suppliers and the utility. Therefore the administrative costs to implement and operate the programs should be shared by the utility (who is shedding load), by customers as part of a rider and by suppliers in the form of a fee to participate. However, to the extent there are marketing efforts to promote particular suppliers or supplier offers in the referral programs those costs should be shared and paid for by the utility and suppliers participating in that marketing effort.

Section 2

I. 1. Please explain whether the General Assembly should appropriate money to the Commission from the General Revenue Fund for the expenses of the Commission associated with Section 16-117.

Yes, the General Assembly should appropriate money from the General Revenue Fund for the expenses of the Commission. Section 16-117 is clear in its requirement that the Commission implement and maintain consumer education efforts regarding energy choice.

2. If you do not believe Section 16-117 is a funding source for any type of a Commission consumer education program, please describe other potential funding sources.

In the case of natural gas deregulation the utilities funded the consumer education efforts. To the extent the ICC believes they do not have funding or that their funding is not enough Integrys Energy recommends the approach taken on the gas side with utility funded consumer education efforts.

3. Please describe the preferred Commission involvement in any consumer education program.

The Commission should remain highly involved in any consumer education program. They should take the lead in forming any consumer education campaigns, materials and processes along with input from interested stakeholders on any new campaigns, materials, processes. The commission is in place to protect customers. In that respect, consumer education efforts which come directly from the commission will carry more weight than if from an independent source.

4. Aside from any potential financial responsibilities, please also describe the preferred involvement of electric utilities, alternative retail electric suppliers, and others.

Integrys Energy recommends the Commission set up an on going consumer education working group where interested parties could review, suggest and participate in Commission driven consumer education efforts. Once the rules are set, the ICC's role would be to ensure that consumer education efforts are properly being administered by suppliers and utilities.

5. Besides printed materials and information published on public websites, what other specific mediums would you like to see used in such a campaign?

A liaison available for presentations and attendance at conferences for small commercial customers, reach out programs to local community leaders, senior citizen groups and other community programs should be available. This person does not necessarily need to be from the Commission but could be a pool of volunteers from the on-going consumer education working group identified above.

6. The Office of Retail Market Development is interested in creating an online place for consumers to compare offers of electric suppliers. The type of information displayed by the

“Power To Choose” websites of Texas and New York as well as other sites such as the Pennsylvania Office of Consumer Advocate seem to be a good starting point.

a. Please describe what type of additional information not found on those sites you would like to see for the Illinois market.

These sites all contain similar information which is needed in a Power To Choose type site. Our comment is more to the way in which a customer views the site. It would be Integrys Energy’s preference that pricing be made available on the first page the customer sees when they log onto the site. Texas, New York and Pennsylvania’s sites while comprehensive in information on choice make finding the pricing page difficult. Most customers will be going to the site to find prices first and understand how to switch second after reviewing the price offers. The site should allow customers to access available prices with as few “clicks” of the mouse as possible.

b. Should the planned website display information for residential customers only?

The site should display both residential and small commercial customer offers. These type of offers are the least likely to be tailored specifically to the customer due to their low usage. Larger customer offers tend to be more customer specific and therefore less likely to be offered on a rate class wide approach. We would recommend the website focus on residential and small commercial offerings with a section for larger customers that does not include or require price offerings.

c. How often should the information be updated?

It would be preferable to design the website to allow suppliers to change, add and delete pricing offerings without time restrictions. However, if this is not possible, daily or weekly updates should be allowed. Consumer education information should be regularly reviewed for updates. Understanding the information may not change very often a review of the information should be done at least quarterly.

- d. Does the Commission have the authority to require suppliers to provide their relevant service offerings on such a website? If you believe the Commission currently does not have such authority, please explain why Section 16-117(h) of the PUA would not give the Commission the authority to do so.**

Yes, if the website is to include the uniform disclosure label. In addition, while the Commission does have the authority to require suppliers to complete a uniform disclosure label, Section 16-117(h) provides the disclosure form as a tool the Commission may use. If the Commission chooses to use this as a tool it is also our opinion the Commission does have discretion to make the use of the website by suppliers voluntary.

- e. In the event the information displayed on such a website is out of date should the Commission (and does the Commission have the authority to) require the supplier to provide requesting customers the opportunity to sign up for a service offering displayed on the website even if the supplier has subsequently modified or eliminated such an offering?**

No. Supplier offerings are often limited by a number of enrollments or shut off dates. Suppliers should be required to put these types of details on the offer site to avoid a situation where an expired offer is still available. These requirements should also not preclude a supplier from ending an offer early or from extending an offer.

II. 1. If the commission were to adopt such a uniform disclosure form, what specific items should be on the form?

In addition to price and contract length, as stated above any restrictions on the price offering including limiting the number of enrollments or an expiration date should be included. The label should also indicate when a customer should expect the rate to take effect on their bill in a generic manner given the switching and meter read requirements by utility. Early termination fees, administrative fees, billing options (supplier bill, dual bill or utility bill) and renewal terms should also be included when applicable to the offer.

2. Do you agree, given that the items on the disclosure form would differ from offer to offer, that an ARES will have to complete such form for each product it offers at the time?

To the extent the terms and conditions do not change we would expect suppliers would be offered a form where multiple product offerings could be listed on a single form. If the terms and conditions change then those products would be on a separate form.

3. Should the disclosure form be completed for residential offerings only?

As stated above we would include both residential and small commercial offerings.

4. In addition to the planned website mentioned above, do you believe the Commission should make this type of information available in printed form and how should the material be made available?

Many customers do not have internet access so yes these types of offers should be available in printed form upon request.

5. If so, how often should this printed material be updated?

The printed material can be something as simple as printing the offering from the website and therefore the printed material would be as up to date as what is on the website at the time of the request.

6. If the ICC were to adopt similar requirements, do you believe the proposed definitions of the Texas PUC are a workable starting point for definitions applicable to the Illinois market? If not, what changes would be appropriate? In particular, please comment on ways to reflect the structural differences when it comes to the manner by which transmission and distribution service charges are billed and collected in Texas.

Integrus Energy does not believe the Commission should be putting limits on the types of products offered by suppliers. Specific product definitions will only limit the number and amount of offers available to residential and small commercial customers. If there is customer confusion regarding products then improved customers disclosure on when, how and what causes rates to change is needed.

III. NO COMMENT ON THIS SECTION

Comments in the Texas proceeding are due on October 6, 2008. Integrys Energy will provide copies of our comments to the ICC after they have been filed.

IV. 1. Please explain whether you believe that the Commission should generally grant such requests for confidential treatment of annual call center reports.

Yes, the Commission should treat annual call center reports as confidential information. This information shows the level of customer calls to a suppliers call center and the response time for those calls. It is information that can be used to infer the level of business in Illinois and also could be used to market against a supplier. For example based on the number of calls and number of offerings in the state a competitor could gain market data on a supplier and responses to the types of offers that supplier marketed throughout the year. Please refer to the recent request by Peoples Energy Services in docket 08-0165.

2. If you do not believe such requests should be granted, please indicate and explain whether you think all of the items in the call center reports should be disclosed or only a subset of those reported.

NOT APPLICABLE

3. Aside from the existing reporting requirements, is there any other type of periodic report that you believe would be beneficial in a competitive retail electricity market? If so, please indicate the Commission's authority to require such a report.

NO COMMENT

V. 1. NO COMMENT

2. In Docket No. 07-0241/0242 Consol., the Commission recently directed Peoples Gas and North Share Gas to provide alternative gas suppliers access to customer information. The Commission's February 5, 2008 Order (starting at page 298) creates three different tiers of

reports, with the type of information provided and the customer consent required varying across the three tiers.

a. Please explain whether you believe a similar structure should be implemented for the retail electricity market.

Providing access to customer information will make it easier for suppliers to market. The ICC should implement consumer protections which still allow for access to customer marketing materials. Although the gas information is helpful there are still some items which are missing. Integrys recommends the ICC work with consumer groups, suppliers and utilities to ensure that any information provided is meaningful to promoting competition.

b. Please explain whether Section 16-122 of the PUA would allow for a similar rule to be adopted by the Commission.

No Comment

VI. NO COMMENT ON THIS SECTION